

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Dayton Township	County Newaygo
Audit Date 3/31/05	Opinion Date 10/6/05	Date Accountant Report Submitted to State: 10/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

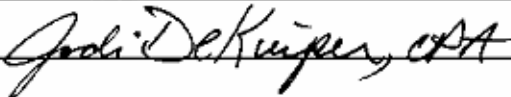
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Hendon & Slate, P.C.			
Street Address 711 West Main Street	City Fremont	State MI	ZIP 49412
Accountant Signature 		Date 10/28/05	

**DAYTON TOWNSHIP
NEWAYGO COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2005

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DAYTON TOWNSHIP

Board Members

Shirley Hooker

Interim Supervisor

Bill Kunnen

Clerk

Vicki Kunnen

Treasurer

Glenn Sparks

Trustee

Barbara Popp

Trustee



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Dayton Township
Fremont, MI

Independent Auditor's Report

We have audited the accompanying financial statements of each major fund and nonmajor fund of Dayton Township as of and for the year ended March 31, 2005, as listed in the table of contents, which collectively comprise a portion of the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township's board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards prescribed by the state treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Dayton Township, as of March 31, 2005 or the changes in its financial position for the year then ended.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
October 7, 2005

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Fremont, MI 49412
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Fax (231) 924-4088
Toll Free (800) 924-6891

Muskegon
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Suite 500
Muskegon, MI 49441
Phone (231) 733-0076
Fax (231) 733-0185

Hart
2332 North Comfort Drive
Hart, MI 49420
Phone (231) 873-5611
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Whitehall, MI 49461
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DAYTON TOWNSHIPGovernmental Fund Balance Sheet
March 31, 2005

	Governmental Fund Types		Totals (Memo Only)
	General	Capital Improvement Fund	
Assets			
Cash and Investments	\$ 288,786	\$ 10,504	\$ 299,290
Taxes Receivable	8,581	-	8,581
Due from Other Governments	15,160	-	15,160
Prepaid Expenses	979	-	979
Due From Other Funds - Agency	<u>44</u>	<u>-</u>	<u>44</u>
Total Assets	<u>\$ 313,550</u>	<u>\$ 10,504</u>	<u>\$ 324,054</u>
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	\$ 23,645	\$ -	\$ 23,645
Due to Other Governments	43,861	-	43,861
Accrued Wages Payable	<u>1,309</u>	<u>-</u>	<u>1,309</u>
Total Liabilities	68,815	-	68,815
Fund Equity			
Fund Balance - Designated			
Capital Improvements	-	10,504	10,504
Fund Balance - Undesignated	<u>244,735</u>	<u>-</u>	<u>244,735</u>
Total Fund Equity	<u>244,735</u>	<u>10,504</u>	<u>255,239</u>
Total Liabilities and Fund Equity	<u>\$ 313,550</u>	<u>\$ 10,504</u>	<u>\$ 324,054</u>

The Notes to the Financial Statements are an integral part of this statement.

DAYTON TOWNSHIP

Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balance For the Year Ended March 31, 2005

	General Fund	Capital Improvements Fund	Totals (Memo Only)
Revenues			
Taxes and PTAF	\$ 64,671	\$ -	\$ 64,671
State Grants	135,176	-	135,176
Charges for Services	1,685	-	1,685
Interest Earned	5,518	255	5,773
Fire Special Assessment	43,876	-	43,876
Reimbursement & Other Revenue	11,095	-	11,095
Royalties	<u>9,664</u>	<u>-</u>	<u>9,664</u>
Total Revenues	271,685	255	271,940
Expenditures			
Legislative	17,531	-	17,531
General Government	59,990	-	59,990
Public Safety	83,846	-	83,846
Public Works	101,599	-	101,599
Other Functions	<u>11,638</u>	<u>-</u>	<u>11,638</u>
Total Expenditures	<u>274,604</u>	<u>-</u>	<u>274,604</u>
Excess Revenues Over (Under) Expenditures	(2,919)	255	(2,664)
Other Financing Sources (Uses)			
Operating Transfers In	4,381	-	4,381
Operating Transfers Out	<u>-</u>	<u>(4,381)</u>	<u>(4,381)</u>
Total Financing Sources (Uses)	<u>4,381</u>	<u>(4,381)</u>	<u>-</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,462	(4,126)	(2,664)
Fund Balance - Beginning of Year	<u>243,273</u>	<u>14,630</u>	<u>257,903</u>
Fund Balance - End of Year	<u>\$ 244,735</u>	<u>\$ 10,504</u>	<u>\$ 255,239</u>

The Notes to the Financial Statements are an integral part of this statement.

DAYTON TOWNSHIP

Statement of Net Assets - Agency Fund
March 31, 2005

	Trust and <u>Agency Funds</u>
ASSETS	
Cash/Investments	<u>\$ 44</u>
Total Assets	<u><u>\$ 44</u></u>
LIABILITIES AND NET ASSETS	
Liabilities	
Due to Other Funds	\$ 44
Net Assets	
Unreserved	<u>-</u>
Total Liabilities and Net Assets	<u><u>\$ 44</u></u>

The Notes to the Financial Statements are an integral part of this statement.

DAYTON TOWNSHIP

Notes to the Financial Statements March 31, 2005

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Dayton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, except for the reporting requirements under GASB #34 (due to the lack of government-wide financial statements and management's discussion and analysis). The following is a summary of the significant accounting policies used by Dayton Township:

1. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- a. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
- b. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

a. State Shared Revenue Receivable

State shared revenue is distributed in six installments per year. Often the last payment has not been received by March 31; therefore, a receivable is recorded for this amount. The final payment of \$24,170 was received on March 2, 2005, thus no receivable is recorded.

b. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2004 delinquent taxes of \$8,581 were received after the year-end and recorded as revenue for the current year.

The 2004 taxable valuation of the Township totaled \$48,153,201 on which ad valorem taxes levied consisted of .9465 mills for general operating, .91 mills for fire protection. These amounts are recognized in the general fund financial statements as current tax revenue.

The government reports one major governmental fund: The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

3. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". All receivables are to be received within one year.

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. However, due to timing, insurance purchased near the end of the year was reported as prepaid to prevent reporting two years of premiums in the same fiscal year. There were no material inventories at year-end.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Budgets and Budgetary Accounting

Public Act 621 of 1978, Section 18(1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted on the activity level. The budgets shown in these financial statements are as last amended through March 31, 2005.

Notes to the Financial Statements (Continued)

During the year ended March 31, 2005, the Township incurred the following overexpenditures:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Parks and Recreation	\$ -	\$ 18,975	\$ (18,975)
Operating Transfers Out -			
Capital Improvement Fund	-	4,381	(4,381)

5. Reporting Entity

The financial statements of Dayton Township do not include any other governmental boards or authorities based on a determination made with the control or dependence in the areas of budget adoption, taxing authority, funding and appointment of respective boards.

6. Encumbrances

The Township does not use any form of encumbrance accounting.

7. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

NOTE B CASH DEPOSITS AND INVESTMENTS

Deposits and investments are carried at cost. Cash deposits of the Township are held at Gerber Federal Credit Union in the name of the Township. Act 217, P.A. 1982, authorizes the Township to deposit and invest in the accounts of federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States or an agency, or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; obligations in the State of Michigan or its political subdivisions, and commercial paper within three (3) highest classifications by at least two (2) rating services, maturing no later than 270 days. Michigan law prohibits security in the form of collateral, security bonds, or other forms for the deposit of public money.

Balances at March 31, 2005 related to cash and investments are detailed on the combined balance sheet as follows:

	Totals
	<u>(Memo Only)</u>
Cash and Investments	\$ 299,333

Cash consists of money market, bank savings, and bank checking accounts. Investments consist of certificates of deposit, which the Township held during the year. As of March 31, 2005, the Township held no certificates of deposit.

Notes to the Financial Statements (Continued)

Deposits - As of March 31, 2005, the cash deposits covered by the National Credit Union Administration (NCUSIF) are itemized as follows:

	Carrying <u>Amount</u>	Market <u>Value</u>
Demand Deposits (NCUSIF Insured):		
Tax Checking	\$ 7	\$ 7
General Fund Checking	<u>1,783</u>	<u>4,890</u>
Total Demand Deposits covered by NCUSIF Insurance	1,790	4,897
Time Deposits (NCUSIF Insured):		
Tax Savings	37	37
General Fund Savings	89,459	89,459
Capital Improvement Fund - Savings	<u>10,504</u>	<u>10,504</u>
Total Time Deposits covered by NCUSIF Insurance	<u>100,000</u>	<u>100,000</u>
Total Deposits covered by NCUSIF Insurance	101,790	104,897
Time Deposits (Uninsured):		
General Fund Savings	<u>197,544</u>	<u>197,544</u>
Total Deposits	<u>\$ 299,334</u>	<u>\$ 302,441</u>

The Township believes that due to the dollar amounts of cash deposits and the limits of NCUSIF insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE C INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township's interfund receivables and payables are as follows:

General Fund - Due from Agency Fund	<u>\$ 44</u>
Agency Fund - Due to General Fund	<u>\$ 44</u>
Interfund Transfer	
Capital Improvement Fund transferred \$4,381 to the General Fund	

NOTE D RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

DAYTON TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule-General Fund For the Year Ended March 31, 2005

	General Fund		
	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Taxes and PTAF	\$ 58,000	\$ 64,671	\$ 6,671
State Grants	130,000	135,176	5,176
Charges for Services	625	1,685	1,060
Interest Earned	5,140	5,518	378
Fire Special Assessment	42,850	43,876	1,026
Reimbursement & Other Revenue	11,100	11,095	(5)
Royalties	<u>-</u>	<u>9,664</u>	<u>9,664</u>
Total Revenues	247,715	271,685	23,970
Expenditures			
Legislative	22,265	17,531	4,734
General Government	63,840	59,990	3,850
Public Safety	93,800	83,846	9,954
Public Works	83,235	101,599	(18,364)
Other Functions	<u>13,195</u>	<u>11,638</u>	<u>1,557</u>
Total Expenditures	<u>276,335</u>	<u>274,604</u>	<u>1,731</u>
Excess Revenues Over (Under) Expenditures	(28,620)	(2,919)	25,701
Other Financing Sources (Uses) Operating Transfers In	<u>-</u>	<u>4,381</u>	<u>4,381</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (28,620)</u>	1,462	<u>\$ 30,082</u>
Fund Balance - Beginning of Year		<u>243,273</u>	
Fund Balance - End of Year		<u>\$ 244,735</u>	

DAYTON TOWNSHIP

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund For the Year Ended March 31, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property Taxes	\$ 43,000	\$ 46,976	\$ 3,976
Administration Fees	15,000	16,246	1,246
Penalty and Interest	<u>-</u>	<u>1,449</u>	<u>1,449</u>
Total Taxes	58,000	64,671	6,671
State Grants - State Shared Revenue	130,000	135,176	5,176
Charges for Services - Other Fees	625	1,685	1,060
Interest Earned	5,140	5,518	378
Fire Special Assessment	42,850	43,876	1,026
Reimbursements & Other Revenue	11,100	11,095	(5)
Royalties	<u>-</u>	<u>9,664</u>	<u>9,664</u>
Total Revenues	247,715	271,685	23,970
Expenditures			
Legislative			
Salaries	3,500	3,235	265
Professional Services	12,975	9,376	3,599
Printing and Publishing	800	384	416
Memberships and Dues	1,110	1,041	69
Education and Training	2,480	2,189	291
Miscellaneous	<u>1,400</u>	<u>1,306</u>	<u>94</u>
Total Legislative	22,265	17,531	4,734
General Government			
Supervisor			
Salaries	9,500	9,500	-
Deputy's Wages	-	200	(200)
Transportation & Supplies	<u>925</u>	<u>254</u>	<u>671</u>
	10,425	9,954	471
Assessor			
Supplies and Cardwork	840	840	-
Professional Services	<u>11,000</u>	<u>10,032</u>	<u>968</u>
	\$ 11,840	\$ 10,872	\$ 968

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Elections			
Wages		\$ 1,404	
Supplies		1,338	
Printing		<u>258</u>	
	\$ 3,000	3,000	\$ -
Clerk			
Salaries	9,500	9,500	-
Deputy's Wages	900	825	75
Supplies and Transportation	<u>2,060</u>	<u>1,982</u>	<u>78</u>
	12,460	12,307	153
Board of Review			
Salaries		1,266	
Supplies		251	
Education		<u>165</u>	
	2,100	1,682	418
Treasurer			
Salaries	11,240	11,240	-
Deputy's Wages	900	900	-
Supplies and Communication	<u>1,500</u>	<u>995</u>	<u>505</u>
	13,640	13,135	505
Buildings and Grounds			
Utilities		2,499	
Repairs and Maintenance		<u>1,751</u>	
	5,125	4,250	875
Cemetery			
Contracted Services		3,485	
Supplies		<u>1,305</u>	
	<u>5,250</u>	<u>4,790</u>	<u>460</u>
Total General Government	63,840	59,990	3,850
Public Safety			
Fire Protection			
Contracted Services	44,600	43,861	739
Fire Administrator	<u>250</u>	<u>-</u>	<u>250</u>
	\$ 44,850	\$ 43,861	\$ 989

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund (Continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Planning and Zoning			
Salaries		\$ 7,484	
Supplies		423	
Printing and Publishing		2,176	
Contracted Services		<u>29,902</u>	
	<u>\$ 48,950</u>	<u>39,985</u>	<u>\$ 8,965</u>
Total Public Safety	93,800	83,846	9,954
Public Works			
Roads - Contracted Services	77,235	77,170	65
Parks and Recreation - Contracted Services	-	18,975	(18,975)
Drains - Contracted Services	<u>6,000</u>	<u>5,454</u>	<u>546</u>
Total Public Works	83,235	101,599	(18,364)
Other Functions			
Insurance	6,520	5,540	980
FICA Tax	4,000	3,638	362
Capital Outlay	<u>2,675</u>	<u>2,460</u>	<u>215</u>
Total Other Functions	<u>13,195</u>	<u>11,638</u>	<u>1,557</u>
Total Expenditures	<u>276,335</u>	<u>274,604</u>	<u>1,731</u>
Excess Revenues Over (Under)			
Expenditures	(28,620)	(2,919)	25,701
Other Financing Sources (Uses)			
Operating Transfers In	<u>-</u>	<u>4,381</u>	<u>4,381</u>
Excess Revenues and Other Financing Sources			
Over (Under) Expenditures and Other			
Financing Uses	<u>\$ (28,620)</u>	1,462	<u>\$ 30,082</u>
Fund Balance Beginning of Year		<u>243,273</u>	
Fund Balance End of Year		<u>\$ 244,735</u>	

DAYTON TOWNSHIP

Combining Statement of Changes in Assets and Liabilities All Agency Funds For the Year Ended March 31, 2005

	Balance <u>4/01/04</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>3/31/05</u>
Assets				
Cash - Tax Collection	<u>\$ 1,976</u>	<u>\$ 1,588,878</u>	<u>\$ 1,590,810</u>	<u>\$ 44</u>
Liabilities				
Due to Other Funds	\$ 931	\$ 145,096	\$ 145,983	\$ 44
Due to Schools	-	502,301	502,301	-
Due to Intermediate Schools	480	261,186	261,666	-
Due to County and State Ed. Tax	122	614,238	614,360	-
Due to Library	<u>443</u>	<u>66,056</u>	<u>66,499</u>	<u>-</u>
Total Liabilities	<u>\$ 1,976</u>	<u>\$ 1,588,877</u>	<u>\$ 1,590,809</u>	<u>\$ 44</u>

H&S Companies



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



October 7, 2005

Township Board
Dayton Township
Newaygo County, Michigan

Dear Board Members:

We have recently completed an audit of the financial statements of Dayton Township as of and for the year ended March 31, 2005. In connection with our audit, we reviewed the Township's accounting procedures. In that regard we offer the following comments and recommendations.

Books and Records

We would like to commend the clerk and treasurer for the excellent condition of the books and records. Both issues which were reported last year, the recording of the prior year's adjusting journal entries and correcting the cash balances were both corrected this year. The only problem with this year's records was the reporting of wages as contracted services. The Zoning Administrator was changed from a contracted individual to an employee, however, the wages were posted to the same account as the contracted services. All employees should have their wages posted to a 702 (or similar) account and all contracted services should be posted to an 801 (or similar) account. We recommend that the clerk correct this posting in the future.

Budget Overexpenditures

The Board did a good job of amending the budget as necessary to avoid budget overexpenditures. However, we again did note a few instances of expenditures exceeding the budgeted amount. We recommend that the Board continue to be cognizant of the need to compare actual expenditures with the budget on a regular basis and make necessary adjustments needed to avoid overexpenditures.

Fire Special Assessments

The Township began collecting a special assessment for fire protection. The GASB Codification Section S40.114 states: "The transactions of a service type special assessment should be reported in the fund type that best reflects the nature of the transactions, usually the general fund, a special revenue fund, or an enterprise fund..." The Michigan Department of Treasury, in the "Uniform Chart of Accounts for Counties and Local Units of Government," indicates: "A legally created service type special assessment district, including a district that is the entire unit, is a separate fiscal and accounting entity. Inclusion of the transactions of a service type special assessment district in the general fund of a local unit in Michigan is prohibited." Therefore, we recommend that the Board begin treating

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and reporting the fire special assessment as a separate fund. We would be happy to assist you with any additional guidance necessary to implement this recommendation.

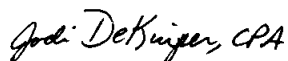
GASB 34 - Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments

Over the last several years we have been warning the Board about up coming changes to the financial statements for the year ended March 31, 2005. Because the Board elected not to fully adopt the GASB 34 financial statements, our opinion on the audited financial statements has been modified to a disclaimer opinion, indicating that the Township financial statements are not reported in accordance with accounting principles generally accepted in the United States. The State has allowed Townships to only elect a partial adoption of the GASB 34 requirements, by not requiring the government-wide statements as well as the Management Discussion and Analysis (MD&A) and certain infrastructure information. However, the State does require the fund statements to be presented in accordance with the GASB 34 modifications, therefore certain changes were made to the financial statements to incorporate the modifications as required by GASB 34.

If the Township wants to elect the GASB 34 financial statements in future years, the entity's fixed assets will need to be accounted for at original (or estimated original) purchase price (or fair market value on date of receipt, if donated). In addition, these assets will need to be depreciated (written off) over an estimate of the expected life of the asset. The Township can elect to have a salvage value on the assets to keep the assets from becoming a zero balance (for example, buildings generally don't become completely worthless). If the Township elects to adopt GASB 34 for a future fiscal year, the Board should adopt a capitalization policy (an example is enclosed) to assist in reporting the government-wide financial statements. A Management's Discussion and Analysis (MD&A) will also need to be prepared by the Township's management. This is included in the audited financial statement package, although it is not audited, and allows the Township Management to "speak" directly with the public about it's financial position and future plans.

Thank you for the courtesy extended to us during our audit. If you have any questions regarding the audit report, this letter, or any other communication, please do not hesitate to call. We look forward to continuing to serve you.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, P.C.